



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 14, 2006

H.R. 5337

Reform of National Security Reviews of Foreign Direct Investments Act

*As ordered reported by the House Committee on Energy and Commerce
on July 12, 2006*

H.R. 5337 would amend the Defense Production Act of 1950 to establish in law the Committee on Foreign Investment in the United States (CFIUS). The committee would consist of 13 members (including seven cabinet secretaries). In addition, the legislation would authorize the appropriation of \$10 million annually over the 2007-2010 period for the Secretary of the Treasury to pay for activities of the committee that are conducted by the Department of the Treasury.

Assuming appropriation of the authorized amounts, CBO estimates that implementing H.R. 5337 would cost the Treasury Department \$40 million over the 2007-2011 period. In addition, CBO expects that complying with the bill's provisions would increase the administrative expenses of other federal agencies involved with CFIUS by at least a few million dollars per year. But because of the confidential nature of the CFIUS review process, the number of agencies involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill. Enacting the bill would not affect direct spending or revenues.

H.R. 5337 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5337 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011

CHANGES IN SPENDING SUBJECT TO APPROPRIATION

Authorization Level ^a	10	10	10	10	0
Estimated Outlays	9	10	10	10	1

- a. In addition, CBO expects that complying with the bill's provisions would increase the administrative expenses of some federal agencies, but because of the confidential nature of the CFIUS review process, the number of agencies involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5337 will be enacted by the end of fiscal year 2006. We assume that the authorized amounts will be appropriated for each year and that outlays will occur at historical rates for similar activities.

H.R. 5337 would establish in law the CFIUS to coordinate the government's review of proposed foreign investments in the United States that might affect national security. Currently, the committee consists of 12 members (including six cabinet secretaries). Under an executive order, the committee now has 30 days to evaluate the national security implications of foreign investment in the United States. Under the bill, the committee would consist of 13 members; the Secretaries of the Departments of the Treasury, State, Defense, Commerce, Energy, and Homeland Security; the Attorney General; the Director of the Office of Management and Budget; the Chairman of the Council of Economic Advisers; the United States Trade Representative; the Director of the National Economic Council; the Director of the Office of Science and Technology Policy; and the President's Assistant for National Security Affairs. The legislation would formalize and expand the review and investigation process.

The bill would authorize the appropriation of \$10 million annually over the 2007-2010 period for the operations of the committee. Assuming the appropriation of the authorized amounts, CBO estimates that the provision would cost \$40 million over the 2007-2011 period.

In addition, CBO expects that complying with the bill's provisions would increase the administrative expenses of federal agencies that are represented on the committee, but because of the confidential nature of the CFIUS review process, the number of agencies

involved, and the confidential information needed to prepare an estimate for some provisions of the legislation, CBO cannot determine a precise estimate of the likely total costs of this bill. Additional costs over the 2007-2011 period would generally come from agencies' salary and expense budgets, which are subject to annual appropriation. Such costs would probably total at least a few million dollars per year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5337 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On June 16, 2006, CBO transmitted a cost estimate for H.R. 5337, as ordered reported by the House Committee on Financial Services on June 14, 2006. On May 3, 2006, CBO transmitted a cost estimate for S. 3549, the Foreign Investment and National Security Act of 2006, as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on March 30, 2006. Those bills also dealt with CFIUS but have some different provisions, including those involving the composition and leadership of the committee. Both versions of H.R. 5337 would authorize the appropriation of \$10 million annually over the 2007-2010 period while S. 3549 would not authorize a specific amount to be appropriated.

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